

**STATEMENT
of
G. Allan Kingston
President and Chief Executive Officer
Century Housing, a nonprofit corporation**

**before the
United States House of Representatives
Committee on Veterans' Affairs**

September 12, 2002

Mr. Chairman and Members of the Committee:

My name is G. Allan Kingston. I am the President and CEO of Century Housing Corporation, a nonprofit company serving the Los Angeles metropolitan area. I am a veteran, having served in the United States Navy for 13 years combined active and reserve duty. I am joined today by my colleague, Robert J. Norris, Jr., Executive Vice President of Century Housing and a United States Marine Corps Vietnam Veteran, who currently serves as a Board Member of the National Coalition for Homeless Veterans.

Thank you for this opportunity to speak to you about how the Department of Veterans Affairs can help to create more transitional housing for homeless veterans.

Speaking as a veteran myself, I have long been frustrated by our nation's inability to deal with and make significant progress in providing opportunities for homeless veterans so that they might fully participate in all of the rights and responsibilities of citizenship. It is obvious that housing is a critical starting point for recovery in each homeless veteran's search for a better way of life.

In the Los Angeles area, we at Century Housing have spent the last 20 years providing affordable housing opportunities for families and individuals of all incomes. More than 15,000 low-income families and individuals have been assisted by Century's financing the development of some 10,000 units of affordable housing, in 40 different communities in southern California. In doing this, Century Housing has invested more than \$500 million in funding into these mostly low-income communities.

Through Century Housing's primary mission of linking affordable housing with social services we call "More Than Shelter[®]," we have helped to create affordable, quality, aesthetically pleasing housing—always enhanced by much-needed services designed to help residents in their most critical areas of need, such as free on-site child care, after-school tutoring for at-risk youth, job training for men and women to enter the construction trades, and health wellness programs for seniors. We believe that these amenities are the vital difference between simply housing people and giving people a new chance on life.

Among our proudest accomplishments, Century has invested more than \$17 million to finance the two largest transitional housing facilities for homeless veterans in the nation. Westside Residence Hall, located in Inglewood, California, and Villages at Cabrillo, located at the former Long Beach Naval Station, together provide more than 900 beds for homeless veterans transitioning back into mainstream society. These two facilities, Westside and Villages at Cabrillo, developed in collaboration with Cantwell-Anderson, a for-profit builder, and U.S. VETS, a nonprofit service provider, have served more than 6,000 veterans, and have saved VA tens of millions

of dollars in medical costs, due to reduced emergency admissions and lengthy hospital stays.

As a nonprofit, Century was able to fund these two projects because our social purpose allowed us to accept a high risk of loss, which is offset for us by the social return of serving homeless veterans. In contrast, a private sector lender would not make these high risk loans without a guaranteed financial return, mostly because of the uncertainty of the tenant's income stream to provide enough return to service the debt. It has always been our belief that government guarantees would allow private sector lenders to finance this type of development. That is the underlying concept of Public Law 105-368.

Nearly one-quarter of homeless people in the United States are veterans. On any given night, there are more than 25,000 homeless vets on the streets of Los Angeles County alone. The national figure is more than ten times that amount. Assisting homeless veterans is a specific element of Century's mission.

Our first involvement with homeless veterans was Westside Residence Hall, financed with a \$5.6 million loan from Century. Developed by Cantwell-Anderson, a for-profit firm, with services provided by U.S. VETS, a nonprofit veterans service provider, Westside Residence Hall serves formerly homeless veterans with transitional housing and services such as employment assistance, case management, counseling, job training, and career planning—all in a safe, sober environment. After 90 days in a clean and sober environment, the veterans enter Westside and are provided a range of social services, including career and substance abuse counseling, job search assistance and classes in computer technology and general education, and VA services. Once veterans are successfully placed in jobs, they begin paying rent. All residents agree to regular drug testing, and according to U.S. VETS, 97% to 100% of the residents are drug free at each semimonthly testing.

Our most recent veterans transitional housing accomplishment is Villages at Cabrillo, an unprecedented 26-acre community, owned by Century and administered by U.S. VETS. It is the largest residential social service complex of its kind in the nation, integrating transitional housing with a broad variety of services. Coordinating existing support service agencies, including VA, at one location provides efficient delivery for services such as substance abuse treatment, employment training and placement, residential employment, and special programs for female, Native American, senior and disabled veterans. Homeless families and youth are also served, with programs such as child care, a school for homeless children, and after-school tutoring provided by Century. Upon completion, the project will serve thousands of veterans with its 1,000-bed capacity.

The Villages at Cabrillo development, primarily funded by \$11.4 million from Century, earned national recognition last year when it was presented, nearby in the Russell Office Building, with a Tax Credit Excellence Award by the national Affordable Housing Tax Credit Coalition. John Hancock Realty Advisors invested \$7.1 million in tax credit equity in the project.

U.S. VETS, which manages both of these projects, reports that the programs at Westside and Villages at Cabrillo have had an 85% success rate in getting homeless veterans back to work within 35 days. Several graduates have gone on to start their own small businesses, and some have even purchased their own homes. This success rate is an indication that such programs can work.

Compared to Century's funding of Westside and Villages at Cabrillo, I am unaware of any transitional housing facilities for homeless veterans of significant size that have been funded by other than public or philanthropic sources. The real estate

lending industry does not provide funding for this type of development, because the risks associated with transitional housing exceed the economic yield that such developments are able to provide.

The assurance of repayment provided by a federal guarantee would both facilitate low-cost financing and mitigate the lender's risk of loss, as demonstrated by FHA mortgage insurance programs within the Department of Housing and Urban Development. With a federal guarantee, private capital markets would be willing to finance transitional housing for homeless veterans. Without a federal guarantee, private capital markets are not willing to finance such transitional housing. Instead, such housing will require funding sources that are able to assume substantial risks without commensurate reward. Such funding sources do not exist in the private capital markets today.

As First Vice President of the National Housing Conference, and as a former member of the Board of Directors of the National Coalition for Homeless Veterans, I have seen and studied facilities for homeless veterans in many cities, including Baltimore, New York, Boston, Milwaukee, San Francisco and Los Angeles.

Based on our experience, Century was attracted to the potential of, and actively supported the passage of Public Law 105-368, The Veterans Programs Enhancement Act of 1998, which the President signed into law on Veterans Day four years ago, creating the Loan Guarantee for Multifamily Transitional Housing for Homeless Veterans. That statute provided that, in carrying out the program, the Secretary "...shall enter into contracts with a qualified nonprofit organization, or other qualified organization, that has experience in underwriting transitional housing projects to obtain advice...."

Century was pleased to be retained by Birch & Davis Associates, now known as ACS Federal Healthcare, to serve as the "qualified nonprofit organization" as a subcontractor to the U.S. Department of Veterans' Affairs (VA) for the development of the Pilot Program for the Loan Guarantee for Multifamily Transitional Housing for Homeless Veterans.

In the four years since the passage of the enacting legislation, implementation of the Pilot Program has moved at a glacial pace. In my opinion, absent the work of Century and ACS, there would be little, if any, progress to show for the time that has elapsed since the legislation was enacted.

As I believe you will hear from others today, the unmet need for housing to serve homeless veterans remains great. The Department of Veterans Affairs estimates that there are 275,000 homeless veterans on any given night, and more than a half million experience homelessness at some time during the year. Based on VA's estimates, fewer than 10 percent of those ex-service men and women are provided with services each year by the Department.

It is unfortunate, but I believe that it was due to a lack of priority and commitment of resources by the Department, that after nearly four years the Pilot Program is still not operational. In our experience, VA consistently demonstrated a lack of understanding and enthusiasm for implementing the Pilot Program.

This lack of understanding of the nature of the Pilot Program initially was made apparent by VA's assignment of the Pilot Program to the Mental Health program area of the Veterans Health Administration, rather than a real estate- and finance-oriented unit of VA (e.g., the Loan Guarantee Administration of the Veterans Benefits Administration).

The lack of enthusiasm in implementation of the Pilot Program resulted in delays, caused by: 1) The failure of the Department to champion the Pilot Program within its own bureaucracy; 2) The need to constantly revisit basic concepts due to the failure of assigned VA personnel to grasp the technical aspects of the recommended real estate and financing structure; and 3) The failure of assigned VA staff to respond to the consultants' work in a timely manner.

A specific example of VA's failure to respond in a timely manner is illustrated by VA's response to Century's Task #3 Deliverable. Century submitted a draft deliverable for VA review on July 5, 2000, and did not receive a response from VA until September 12, 2000. This was two months after expiration of the VA's contractual review period of 10 working days.

Further, I am puzzled by VA's lengthy and unresponsive treatment of our efforts to assist in effective implementation of the Pilot Program. The most recent delay was VA's failure to respond to Century's submission of December 18, 2001, which recommended changes to the Guarantee Structure, based on the inclusion of construction-period loan guarantees, and use of the Federal Financing Bank as the source of funds for the VA-guaranteed loans.

Notwithstanding the fact that throughout the contract period VA never expressed any dissatisfaction with the work performed by ACS or Century, VA apparently retained KPMG, without any notification or consultation with ACS or Century, to perform an analysis of Century's work. KPMG identified four primary concerns with Century's work. We believe that KPMG's conclusions were unfounded, partially because VA apparently did not provide KPMG with the full scope of Century's prior work. This is detailed in Exhibit 4.

As a veteran, I personally find it disheartening that four years have passed, but VA does not have even the beginnings of a Pilot Program that could provide a solution to the tragic problem of homelessness among America's veterans. More than one quarter of a million veterans, who gave of themselves in the service of our great nation, sleep on the streets every night. These four years should have been used to create and roll out an innovative program to spur private investment in transitional housing for homeless veterans, transitional housing that has been proven to help individuals break the cycle of homelessness and reenter the mainstream of society.

Despite the difficulties and challenges in attempting to implement the Pilot Program over the past four years, I am heartened to hear that Secretary Principi may now move the Pilot Program forward, as a priority objective of the Department, in order to meet the goal of financing development of transitional housing for up to 5,000 homeless veterans.

Whether Century participates further in this effort is not our decision, but it will be worth the time, effort and money we have expended over the past several years, if the result is that more homeless veterans are given a chance at a new and better life.

EXHIBIT 1

G. ALLAN KINGSTON, Biographical Data

G. Allan Kingston is President/CEO of the Century Housing Corporation. He has directed financing programs which have added more than 10,000 units of affordable housing, in 110 developments in 40 communities, throughout the Los Angeles area, and has brought to reality the innovative policy of “More Than Shelter®.”

Acting as an intermediary to community-based organizations and nonprofit and for-profit developers, affordable housing developments financed by Century include funding of innovative inner city developments which feature “More Than Shelter,” combining housing with after-school tutoring/college prep programs, academic counseling, transitional housing for homeless veterans, child care, energy efficient homes, preapprenticeship training, HIV and substance abuse counseling, training programs for women in nontraditional jobs, and other socially responsive programs.

In addition to being a Board member of Century Housing, Mr. Kingston also is First Vice President and a member of the Executive Committee of the National Housing Conference. He is a Board member of the National Association of Affordable Housing Lenders, the Center for Housing Policy, and Shelter Partnership, and he is Chairman of the California Housing Consortium.

Mr. Kingston has been an executive in affordable housing lending, real estate development, and private and public sector management. He has administered affordable housing finance programs, large-scale urban redevelopment, new town developments, and individual commercial, residential and resort projects.

In the past, Mr. Kingston has directed the real estate development activities and projects of large corporations, and was a partner in several commercial and residential projects in California, Hawaii, and the Midwest. He has managed large scale residential and commercial projects for, among others, Tecon Realty Corporation, Le Meridian Hotel (Coronado), Oceanic Properties (Castle and Cook), The Hawaiiana Company, Centre Properties, and University Development, Inc. His career began with federal and local urban renewal agencies in California. He served as Executive Director of the Fresno Redevelopment Agency, as Deputy Director of the Oakland Redevelopment Agency, and with the U.S. Housing and Home Finance Agency and HUD.

Mr. Kingston is a former Board Member of the National Coalition for Homeless Veterans, the nonprofit organization dedicated to bringing about the end of homelessness among veterans. As a Navy veteran himself, Mr. Kingston’s avid support of veteran and affordable housing issues has served as a powerful link in keeping veterans issues at the forefront with affordable housing advocates.

EXHIBIT 2

STATEMENT DISCLOSING FEDERAL GRANTS AND CONTRACTS

Century Housing Corporation is a participant in one (1) Federal contract relevant to the testimony of G. Allan Kingston. Century Housing is a subcontractor to ACS Federal Healthcare, Inc. (previously Birch-Davis), the prime contractor to the Department of Veterans Affairs under Prime Contract Number V101(93)P-1442. Century Housing entered into this contract on February 11, 2000.

Century was informed on August 15, 2002 that the Department informed ACS Federal Healthcare on July 30, 2002 that “...the report prepared by Century Housing Corporation (the Deliverable dated December 18, 2002) was considered to be unacceptable.” The communication from ACS Federal Healthcare also informed Century that KPMG had been contracted to complete the project.

EXHIBIT 3

**Chronology: Task Deliverables
Homeless Veterans Loan Guarantee Pilot Program**

Summary Table: Dates of Submissions and Responses

Title	Deliverable Submitted to VA	VA Comments Due <i>[Received]</i>	Revised Deliverable Submitted to VA
Task #1 Deliverable <ul style="list-style-type: none">• Work Plan	February 16, 2000	March 2, 2000 <i>[March 1, 2000]</i>	March 10, 2000
Task #2 Deliverable <ul style="list-style-type: none">• Draft Guidelines for Establishing Loan Guarantee Program	March 31, 2000 (Draft)	April 14, 2000 <i>[April 27, 2000]</i>	May 15, 2000
	May 15, 2000 (Revised)	May 29, 2000 <i>[May 25, 2000]</i>	June 7, 2000
Task #3 Deliverable <ul style="list-style-type: none">• Rating, Ranking, and Selection Process	July 5, 2000	July 19, 2000 <i>[September 12, 2000]</i>	September 28, 2000
<ul style="list-style-type: none">• Responses to OMB for Waiver Request	November 27, 2000	December 11, 2000 <i>[No Comments Received from VA]</i>	January 17, 2001
Task #2 Deliverable Modification <ul style="list-style-type: none">• Draft Guidelines for Establishing Loan Guarantee Program	December 18, 2001	January 7, 2002 <i>[No Comments Received from VA]</i>	Awaiting Response
Task #4 Deliverable <ul style="list-style-type: none">• Evaluate Proposals	Contract Terminated by VA	NA	NA

EXHIBIT 4

Detailed Chronology of Contract Events

Legislation establishing the Program was signed into law by President Clinton on Veterans’ Day, 1998, directing VA to develop and implement a loan guarantee program to induce private capital to assist in funding the development of multifamily transitional housing for homeless veterans.

VA issued its initial Task Order Request in 1999. Birch & Davis Associates (later ACS Federal Healthcare, Inc.) was selected as the prime contractor in December 1999, with Century as a subcontractor. In negotiating the specific work to be performed, VA informed Century that the work of marketing and soliciting development proposals would be performed by VA, and that Century would not be involved in those specific activities. Century developed a work plan (Task #1 Deliverable) defining work products and deliverable timing, as required in the Task Order Request, and presented this plan to VA in February 2000.

The Task #2 Deliverable, *Guarantee Structure*, was delivered to VA in June 2000. The Deliverable described the proposed program structure and laid down the financial structuring parameters, including the amount and timing, of the guarantee. Specifically, Century recommended that VA provide a guarantee of 100% of the total amount of the loan. The guaranteed loan was anticipated to equal about 60% of the total project cost. Per the legislation, the guaranteed loan amount could not exceed 90% of the total project cost. Century further recommended that VA's guarantee cover only the permanent loan period, and not cover the construction period, in order to insulate VA from the considerably higher risk of loss during the construction period. Century also recommended that tax-exempt bonds, guaranteed by VA, be the source of funds for the loans.

The Task #3 Deliverable, *Selection Criteria*, was submitted to VA in July 2000. The Deliverable described the proposed project features and requirements, and application and selection processes. Century recommended that borrower/developer qualifications, development characteristics and services, and the development's economic and supportive services feasibility be considered in initially assessing proposals seeking VA-guaranteed financing. Those proposals that met the basic criteria would then be invited to fully develop a plan for a project.

While work progressed on the Task #2 and Task #3 Deliverables, VA invited representatives of OMB to participate in the development of the Pilot Program. OMB introduced the issues of the Federal Credit Reform Act of 1990 (FCRA) and Circular A-129, which mandate special circumstances for permitting the full (100%) guarantee of a loan by the federal government. Century was tasked with providing OMB with justification for the 100% guarantee recommendation, to support VA's request for a waiver to the requirements of FCRA. Century produced several presentations and documents to support VA's waiver request, which OMB approved in February 2001.

In accordance with FCRA, OMB stated that the Federal Financing Bank (FFB) must be the source of funds for a loan that is 100% guaranteed by the federal government, to prevent the creation of a market for securities equivalent to Treasury issues in risk, but with higher yields. Century held discussions with the Department of Treasury/FFB regarding lending policies and how FFB funds could be integrated into the program. The mandate to utilize FFB, however, appeared to be contrary to the intent of the legislation, which specifically states that the program is an incentive for private capital.

The inclusion of FFB raised the issue of including construction-period financing under the VA guarantee, to take advantage of FFB's low-cost funds. Century was then tasked with describing to VA the risks attendant with construction financing, in order for VA to reasonably decide if construction financing should be fully examined as an option. Century submitted this report in May 2001. Upon VA's review, it decided that construction-period guarantees should be fully examined with the inclusion of FFB funds as the Program's source of guaranteed financing.

Century submitted a Modified Task #2 Deliverable in December 2001. This revised deliverable examined the circumstances under which construction-period guarantees would be recommended and the impact of using FFB funds instead of the tax exempt bonds, as had been previously recommended. Century recommended that construction-period guarantees be used only if strict controls, parallel to those mandated under Department of Housing and Urban Development/FHA's 221d(3) and 221d(4) mortgage insurance program (for the new construction or substantial rehabilitation of multifamily rental housing) were used and enforced. Using FFB funds for construction and permanent financing was also recommended, because of the preferential interest rate at which they are available.

VA failed to respond to Century's submission of December 18, 2001. This lack of response, within the agreed upon ten-day comment period provided under the contract, left the implication that VA accepted Century's recommendations regarding the changes to the Program, to include construction-period loan guarantees and the FFB as the source of funds for the VA-guaranteed loans.

VA, apparently consequently, retained KPMG to evaluate if Century had complied with the requirements of the Task Order Request. Apparently, VA did not provide KPMG with the full scope of Century's work. KPMG appeared, therefore, unable to provide an accurate analysis. KPMG's report of March 2002, reported four primary criticisms:

1. Century should have included more detailed descriptions of specific aspects of the program.
2. Century failed to include some requirements stated in VA's Task Order Request.
3. Century should have developed procedural manuals for the Pilot Program.
4. Century did not performed a thorough survey of existing federal loan guarantee programs.

These criticisms are unfounded, as Century did perform all of the requirements of the Task Order Request, as outlined below; and in response to the four KPMG criticisms:

1. Century provided substantial detail, both in the December 18, 2001, and prior Deliverables, to fully describe the proposed guarantee structure to industry professionals, without simply adding unnecessary and redundant information.
2. Century addressed all of the requirements of the Task Order Request; this may not have been obvious to KPMG, as VA may not have provided all of Century's prior submissions to KPMG for review.
3. Century did not create an entire procedural manual because that would negate the intent of a Pilot Program, which is meant to determine the potential for success through flexible and innovate approaches. Creating a new manual would have also required that Century "reinvent the wheel," as existing federal programs already provide sufficient procedural guidance for the Pilot Program.
4. Century utilized its extensive experience in the affordable housing industry in determining which federal loan guarantee program would provide the most adaptable framework for the Pilot Program. Century representatives interviewed several professionals in the real estate financing industry, extensively surveyed existing federal guarantee programs and convened interviews for VA representatives with other federal government officials (GSA) who administer federal guarantee programs.

In sum, Century and ACS Federal Healthcare met all contractual deadlines timely and within budget amounts.

EXHIBIT 5

List of Documents Provided to VA As Part of Task #2 Deliverable Modification submitted December 18, 2001

Exhibits to Pilot Program Task#2 Deliverable Modification

Exhibit 1	Diagram of Guarantee Structure
Exhibit 2	Letter of Commitment Provide Loan Funds (Legal document)
Exhibit 3	Deed of Trust Note (Legal document)
Exhibit 4	Deed of Trust (Legal document)
Exhibit 5	Regulatory Agreement (Legal document)
Exhibit 6	Term Sheet
Exhibit 7	Project Model
Exhibit 8	Flow Charts
Exhibit 9	Loan Loss Analysis

HUD/FHA closing documents

Document Title	HUD Form Number
1. Opinion of Mortgagor's Counsel	
2. Agreement and Certification – 207/223(f) 223(a)(7)	
3. HUD Amendment to AIA Document B181	
4. Building Loan Agreement	
5. Escrow Agreement – Unpaid Construction Costs/Delayed repairs	92476.1
6. Escrow Agreement for Latent Defects	
7. Escrow Agreement for Working Capital	
8. Escrow Agreement for Incomplete Construction	HUD 2456
9. Agreement of Sponsors to Furnish Additional Funds (Including Escrow Agreement)	FHA 2476/a
10. Mortgagor's Oath	FHA 2478
11. Mortgagee's Certificate	HUD 2434
12. Agreement and Certification (Insurance Of Advances)	HUD 3305
13. Agreement and Certification (Insurance Upon Completion)	HUD 3306
14. Residual Receipts Note (Nonprofit Mortgagors)	HUD 91710
15. Instructions For Leasehold Projects	HUD 92070
16. Promissory Note (Surplus Cash)	HUD 92223
17. Performance Bond – Dual Obligee	HUD 92452
18. Payment Bond	HUD 92452-A
19. Request for Approval of Advance of Escrow Funds	
20. Off-site Bond – Dual Obligee	HUD 92479
21. Construction Contract	
22. Regulatory Agreement for Multifamily Projects and Healthcare Facilities	
23. Multifamily/Health Care (Mortgage, Deed Of Trust, Or Other Designation As Appropriate In Jurisdiction) Assignment Of Rents And Security Agreement	
24. Multifamily/Healthcare Facility Note (Multistate)	
25. Request For Endorsement Of Credit Instrument, And Certificate Of Mortgagee, Mortgagor And General Contractor	HUD 2455

New Pro Forma documents created for Pilot Program

1. Construction Loan Commitment Letter
2. General Conditions of Construction Loan Commitment
3. Promissory Note
4. Construction Loan Agreement
5. Completion/Repair Security Agreement
6. Construction Loan Deed Of Trust, Security Agreement, And Fixture Filing
7. Subordination, Nondisturbance And Attornment Agreement
8. Assignment Of Agreements (Construction)
9. Assignment Of Rents And Leases (Construction)
10. Permanent Loan Commitment Letter
11. Multifamily Note
12. Environmental Indemnity
13. Multifamily Deed Of Trust, Assignment Of Rents, Security Agreement And Fixture Filing (California)
14. Tri-Party Takeout Agreement
15. Replacement Reserve And Security Agreement
16. Form Of Borrower's Counsel Opinion
17. Compliance Monitoring Agreement
18. Agreement To Amend Or Comply
19. Assignment Of Management Agreement
20. Document Preparation Information